

**LEGISLATIVE SERVICES AGENCY  
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House  
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**FISCAL IMPACT STATEMENT**

**LS 7299**

**BILL NUMBER:** HB 1791

**NOTE PREPARED:** Mar 21, 2003

**BILL AMENDED:** Mar 20, 2003

**SUBJECT:** Internet Cigarette Sales.

**FIRST AUTHOR:** Rep. Hasler

**FIRST SPONSOR:** Sen. Miller

**BILL STATUS:** CR Adopted - 2<sup>nd</sup> House

**FUNDS AFFECTED:** X GENERAL  
X DEDICATED  
FEDERAL

**IMPACT:** State

**Summary of Legislation:** (Amended) This bill requires a merchant who sells cigarettes to a person in Indiana through direct mail or the Internet to: (1) ensure that the customer is at least 18 years of age; and (2) pay the state cigarette tax or provide notice that the customer is responsible for the unpaid state taxes on the cigarettes. The bill establishes penalties for violations.

**Effective Date:** July 1, 2003.

**Explanation of State Expenditures:** (Revised) The Department of State Revenue and the Alcohol and Tobacco Commission (ATC) are expected to be able to absorb any additionally costs incurred as a result of this bill.

**Explanation of State Revenues:** (Revised) *Cigarette Tax Revenue:* The bill would require merchants who sell cigarettes through direct mail or the Internet to report monthly sales information to the Department of State Revenue. The bill also requires the merchants to either pay the state's Cigarette Tax or post a notice stating that purchasers are required to pay the state Cigarette Tax. The impact of these provisions on Cigarette Tax collections is unknown. Cigarette Tax revenue is deposited in the state General Fund (83.97%), the Mental Health Fund (0.94%), the Cigarette Tax Fund (6.60%), and the Pension Relief Fund (8.49%).

***Penalty Provision:*** This bill establishes requirements for the ordering, shipment, and receipt of cigarettes obtain through direct mail or the Internet. The bill provides merchants who violate the bill's notice requirement and reporting requirements are subject to civil penalties ranging from \$1,000 to \$10,000 depending upon the frequency in which the provisions are violated. Additionally, the bill allows the ATC to impose a civil penalty of up \$1,000 against persons who violate the provisions related to the sale of tobacco to minors. Any fine revenue received would be deposited into the Youth Tobacco Education and Enforcement Fund. The Fund is administered by the ATC and is currently funded with fine revenue collected from retailers that sell tobacco products to minors. The Fund is used for excise officer training, retailer

education, and for the prevention of youth smoking.

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:**

**State Agencies Affected:** Alcohol and Tobacco Commission; Department of State Revenue

**Local Agencies Affected:**

**Information Sources:**

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